

**DENHAM SPRINGS ECONOMIC
DEVELOPMENT DISTRICT**

**REPORT ON AUDIT OF
COMPONENT UNIT FINANCIAL STATEMENTS**

JUNE 30, 2014

TABLE OF CONTENTS

Independent Auditor's Report.....	Pages 1 - 3
Required Supplemental Information: Management's Discussion and Analysis	4 - 10
Government-Wide Financial Statements:	
Statement of Net Position (Deficit)	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Notes to the Financial Statements	17 - 31
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	32 - 33
Schedule of Findings and Responses	34
Summary Schedule of Prior Year Findings.....	35

2322 Tremont Drive • Baton Rouge, LA 70809
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726
Phone: 225.928.4770 • Fax: 225.926.0945
650 Poydras Street, Suite 1200 • New Orleans, LA 70130
Phone: 504.274.0200 • Fax: 504.274.0201
www.htbcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Denham Springs Economic Development District
Denham Springs, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Denham Springs Economic Development District, Denham Springs, Louisiana, "the District" (a component unit of the City of Denham Springs), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Denham Springs Economic Development District
Denham Springs, Louisiana

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Denham Springs Economic Development District, Denham Springs, Louisiana as of June 30, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Denham Springs Economic Development District's June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Denham Springs Economic Development District
Denham Springs, Louisiana

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Denham Springs Economic Development District's internal control over financial reporting and compliance.

Respectfully submitted,

Hannu J. Bougeois, CPA

Denham Springs, Louisiana
December 18, 2014

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Introduction

The Denham Springs Economic Development District (the District) is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), and related standards.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements included in this report.

Financial Highlights

- At June 30, 2014, the District's assets plus deferred outflow resources exceeded its liabilities by \$ 2,457,709 net position.
- For the year ended June 30, 2014, the District's total net position compared to prior fiscal year net position (deficit) restated of (\$554,143) increased \$3,011,852 or 544%. This is mainly attributable to an increase in sales tax collections over the previous year and a decrease in interest expense for the District.
- At June 30, 2014, the District's governmental funds reported combined ending fund balances of \$4,753,492, a decrease of \$153,557 for the year. Of this amount, \$87,803, is restricted for spending on Capital Projects and \$4,665,590 is restricted to service outstanding debt.
- The District's total liabilities decreased \$4,379,019. Accounts payable increased \$1,938, accrued interest decreased \$20,957 and total bonds payable decreased by \$4,360,000. The bonds are being paid from the dedicated portion of the sales tax revenues generated from the District. Additional collateral for these bonds is limited to the "Bass Pro Shops" development. The City of Denham Springs has no liability for these bonds.

Overview of the Annual Financial Report

The financial statement focus is on both the District as a whole and on the major individual funds. Both perspectives, government-wide and major funds, allow the user to address relevant questions, broaden a basis for comparison, and enhance the District's accountability. The statements then proceed to provide an increasingly detailed look at specific financial activities.

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2014

The MD&A is intended to serve as an introduction to the District's basic financial statements, which consists of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on the District's assets and liabilities using the accrual basis of accounting, in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as net position. Over time, the increases or decreases in net position and changes in the components of net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year, focusing on both the gross and net costs of various activities that are supported by the District's various revenues. This is intended to summarize and simplify the reader's analysis of the cost and/or subsidy of various governmental services.

In both of the government-wide financial statements, the District's activities are of a single type:

Governmental activities - All of the District's basic services are reported here, and will be financed primarily through revenues from sales taxes.

The government-wide financial statements include the Denham Springs Economic Development District (component unit of the City of Denham Springs, Parish of Livingston, Louisiana) and its blended component unit the Denham Springs Economic Development Corporation and can be found on pages 11 and 12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related and legal requirements. The District uses a single category of funds to account for financial transactions: governmental funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2014

Governmental funds are used to account for all of the District's basic services. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The basic governmental fund financial statements can be found on pages 13 through 16 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for governmental funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the District's more immediate decisions on the current use of financial resources. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The reconciliations can be found on pages 14 and 16 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 31 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the District's net position for the current year as compared to the prior year. For more detailed information, see the Statement of Net Position on page 11 of this report.

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2014

Condensed Statement of Net Position (Deficit)

June 30, 2014 and 2013

	<u>Governmental Activities</u>			
	2014	Restated 2013	\$ Change	% Change
Assets:				
Current and Other Assets	\$ 4,611	\$ 2,661	\$ 1,950	73%
Restricted Assets	4,753,393	4,906,962	(153,569)	(3%)
Capital Assets	35,325,634	36,412,271	(1,086,637)	(3%)
Total Assets	<u>40,083,638</u>	<u>41,321,894</u>	<u>(1,238,256)</u>	<u>(3%)</u>
Deferred Outflow of Resources:				
Deferred Amount on Refunding	<u>1,149,853</u>	<u>1,278,764</u>	<u>(128,911)</u>	<u>(10%)</u>
Liabilities:				
Current and Other Liabilities	265,782	284,801	(19,019)	(7%)
Long-Term Debt Outstanding	<u>38,510,000</u>	<u>42,870,000</u>	<u>(4,360,000)</u>	<u>(10%)</u>
Total Liabilities	<u>38,775,782</u>	<u>43,154,801</u>	<u>(4,379,019)</u>	<u>(10%)</u>
Net Position:				
Net Investment in Capital Assets	4,152,951	961,155	3,191,796	332%
Unrestricted (Deficit)	<u>(1,695,242)</u>	<u>(1,515,298)</u>	<u>(179,944)</u>	<u>(12%)</u>
Total Net Position (Deficit)	<u>\$ 2,457,709</u>	<u>\$ (554,143)</u>	<u>\$ 3,011,852</u>	<u>544%</u>

At June 30, 2014, the District has a government-wide net surplus.

Approximately 100% of the District's net position represents resources that are subject to external restrictions on how they may be used. The District's Restricted Assets of \$4,753,393 can only be used for capital outlay and debt service requirements.

At the end of the current fiscal year, the District was able to report a positive balance in its sole category of net position, governmental activities, for the first time since inception. Continued growth in sales tax revenues (\$5,583,374 at year end), allowed additional retirement of debt (\$1,600,000) greater than the scheduled principal amount for 2014 (\$2,760,000).

The District's activities increased its total net position by \$3,011,852. The total increase is attributable to its increase in sales tax revenue from the prior years revenue for governmental activities and a decrease in interest expense.

In order to further understand what makes up the changes in net position, the following table provides a summary of the results of the District's activities for the current year as compared to the prior year.

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2014

An analysis of the primary sources of these changes follows the table. For more detailed information, see the Statement of Activities on page 12 of this report.

Condensed Statement of Changes in Net Position (Deficit) For the Years Ended June 30, 2014 and 2013

	<u>Governmental Activities</u>			
	<u>2014</u>	<u>Restated 2013</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 34,602	\$ 35,037	\$ (435)	(1%)
Rent	12	12	-	N/C
General Revenues:				
Interest Income	326	351	(25)	(7%)
Sales Taxes	<u>5,583,374</u>	<u>5,374,184</u>	<u>209,190</u>	<u>4%</u>
Total Revenues	<u>5,618,314</u>	<u>5,409,584</u>	<u>208,730</u>	<u>4%</u>
Expenses:				
General Government	307,694	226,311	81,383	36%
Interest and Fees on Debt Service	1,212,131	1,268,416	(56,285)	(4%)
Depreciation	<u>1,086,637</u>	<u>1,086,637</u>	<u>-</u>	<u>N/C</u>
Total Expenses	<u>2,606,462</u>	<u>2,581,364</u>	<u>25,098</u>	<u>1%</u>
Change in Net Position	<u>3,011,852</u>	<u>2,828,220</u>	<u>183,632</u>	<u>6%</u>
Net Position (Deficit) -				
Beginning of Year, As Restated	<u>(554,143)</u>	<u>(3,382,363)</u>	<u>2,828,220</u>	<u>84%</u>
Net Position (Deficit) - End of Year	<u>\$ 2,457,709</u>	<u>\$ (554,143)</u>	<u>\$ 3,011,852</u>	<u>544%</u>

Governmental Activities

The District's governmental net position was increased by \$3,011,852, to a positive position of \$2,457,709 compared to the prior year ending net position, a deficit of (\$554,143).

Expenses had a net increase of \$25,098. This is attributable to a (\$56,285) decrease in interest and fees on debt service and an increase in general government of \$81,383 mainly attributable to repairs and maintenance cost of \$73,575, and increased sales tax collection fees due to increased revenues.

Program revenues reflected a small decrease but remained near the same as previous years. General revenues increased by 4%, \$209,165. This is attributable to a sales tax increase of \$209,190 and a decrease in interest income of (\$25) over the prior year.

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2014

Fund Financial Analysis

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, fund balances may serve as a useful measure of the District's net resources available for spending at the end of the year. The basic governmental fund financial statements can be found on pages 13 through 16 of this report.

At the end of the current year, the District's governmental funds reported combined ending fund balances of \$4,753,492. Of this amount, \$87,803 is restricted for spending on Capital Projects, \$4,665,590 is restricted to service outstanding debt and \$99 has been assigned in the Special Revenue Fund.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2014 amounts to \$35,325,634. The total decrease in the District's investment in capital assets for the current fiscal year was (\$1,086,637) which is attributable by the 2014 depreciation expense. There were no capital asset additions or deletions in the current fiscal year.

The following table provides a summary of the District's capital assets at the end of the current year as compared to the prior year. For more detailed information, see Note 4 to the financial statements on page 27 of this report.

	Capital Assets (Net of Depreciation) June 30, 2014 and 2013	
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 7,303,750	\$ 7,303,750
Other Capital Assets, Net of Depreciation	<u>28,021,884</u>	<u>29,108,521</u>
Total	<u>\$35,325,634</u>	<u>\$36,412,271</u>

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2014

Long-Term Debt

At June 30, 2014, the District had total long-term debt outstanding of \$38,510,000. Of this total, \$2,795,000 is due within one year and \$35,715,000 is due greater than one year. The following table provides a summary of the District's outstanding debt at the end of the current year as compared to the prior year. For more detailed information, see Note 5 to the financial statements on pages 28 - 29 of this report.

Outstanding Debt June 30, 2014 and 2013

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Sales Tax Increment Bonds	\$38,510,000	\$42,870,000

These bonds were issued for the purchase of 24 acres within the 75 acre District and for the construction of the "Bass Pro Shops" project and infrastructure. The bonds will be paid from the dedicated portion of the sales tax revenues generated from the District. Additional collateral for these bonds is limited to the "Bass Pro Shops" development and the City of Denham Springs has no liability for these bonds.

Other Factors Affecting the District

The District's management approach is fiscally conservative; however, due to the nature of the funds originally created as a result of the creation of the Bass Pro Sales Tax Incentive District, the District issued bonds to finance the development of the properties and infrastructure within the boundaries of the District. The District will meet future obligations to redeem bonds with the proceeds of sales taxes collected within the District which is pledged for the repayment of the bonds.

Contacting the District's Financial Management

This financial report is designed to provide the District's users with a general overview of the District's finances and show the District's accountability for the money it receives. Questions regarding this report or requests for additional information should be addressed to Denham Springs Economic Development District at Post Office Box 131, Denham Springs, Louisiana 70727-0131. The District's telephone number is (225) 665-8121.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

JUNE 30, 2014

(With Comparative Totals as of June 30, 2013)

	Governmental Activities	
	2014	Restated 2013
ASSETS		
Cash and Cash Equivalents	\$ 74	\$ 554
Receivables	4,537	2,107
Restricted Assets:		
Cash and Cash Equivalents	3,693,272	3,864,643
Receivables	1,060,121	1,042,319
Capital Assets:		
Land	7,303,750	7,303,750
Other Capital Assets, Net of Depreciation	28,021,884	29,108,521
Total Assets	40,083,638	41,321,894
DEFERRED OUTFLOW OF RESOURCES		
Deferred Amount on Refunding	1,149,853	1,278,764
LIABILITIES		
Accounts Payable	4,512	2,574
Accrued Interest	261,270	282,227
Non-Current Liabilities:		
Due Within One Year	2,795,000	2,760,000
Due in More Than One Year	35,715,000	40,110,000
Total Liabilities	38,775,782	43,154,801
NET POSITION		
Net Investment in Capital Assets	4,152,951	961,155
Unrestricted (Deficit)	(1,695,242)	(1,515,298)
Total Net Position (Deficit)	\$ 2,457,709	\$ (554,143)

The accompanying notes constitute an integral part of this statement.

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014
(With Comparative Totals as of June 30, 2013)

	Governmental Activities	
	2014	Restated 2013
<u>Governmental Activities:</u>		
Expenses:		
General Government	\$ 307,694	\$ 226,311
Interest and Fees on Debt Service	1,212,131	1,268,416
Depreciation	1,086,637	1,086,637
Total Expenses	2,606,462	2,581,364
Program Revenues:		
Charges for Services	34,602	35,037
Rents	12	12
Net Program Expense	(2,571,848)	(2,546,315)
General Revenues:		
Sales Taxes	5,583,374	5,374,184
Interest Income	326	351
Total General Revenues	5,583,700	5,374,535
Change in Net Assets	3,011,852	2,828,220
Net Position (Deficit) - Beginning of Year, As Restated	(554,143)	(3,382,363)
Net Position (Deficit) - End of Year	\$ 2,457,709	\$ (554,143)

The accompanying notes constitute an integral part of this statement.

FUND FINANCIAL STATEMENTS

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014
(With Comparative Totals as of June 30, 2013)

	General Fund	Denham Springs Economic Development Corporation	Capital Projects Fund 2007 B
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 74	\$ -
Receivables	-	4,537	-
Restricted Assets:			
Cash and Cash Equivalents	-	-	87,803
Receivables:			
Sales Taxes - Parish	-	-	-
Sales Taxes - State	-	-	-
Accrued Interest	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 4,611</u>	<u>\$ 87,803</u>
LIABILITIES			
Accounts Payable	<u>\$ -</u>	<u>\$ 4,512</u>	<u>\$ -</u>
Total Liabilities	-	4,512	-
FUND BALANCES			
Fund Balance:			
Restricted	-	-	87,803
Assigned	<u>-</u>	<u>99</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>99</u>	<u>87,803</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 4,611</u>	<u>\$ 87,803</u>

The accompanying notes constitute an integral part of this statement.

Exhibit B-1

Debt Service Fund	Total Governmental Funds	
	2014	2013
\$ -	\$ 74	\$ 554
-	4,537	2,107
3,605,469	3,693,272	3,864,643
682,959	682,959	676,546
376,551	376,551	365,162
611	611	611
<u>\$ 4,665,590</u>	<u>\$ 4,758,004</u>	<u>\$ 4,909,623</u>
\$ -	\$ 4,512	\$ 2,574
-	4,512	2,574
4,665,590	4,753,393	4,906,962
-	99	87
<u>4,665,590</u>	<u>4,753,492</u>	<u>4,907,049</u>
<u>\$ 4,665,590</u>	<u>\$ 4,758,004</u>	<u>\$ 4,909,623</u>

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2014

(With Comparative Totals as of June 30, 2013)

	<u>2014</u>	<u>Restated 2013</u>
Fund Balances-Total Governmental Funds	\$ 4,753,492	\$ 4,907,049
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital Assets Used in Governmental Activities are not Financial Resources and are not Reported in the Governmental Funds		
Governmental Cost of Capital Assets	42,139,102	42,139,102
Less Accumulated Depreciation	(6,813,468)	(5,726,831)
Long-Term Liabilities are not Due and Payable in the Current Period and Therefore are not Reported in the Governmental Funds:		
Sales Tax Increment Revenue Bonds	(38,510,000)	(42,870,000)
Net Deferred Amount on Refunding	1,149,853	1,278,764
Accrued Interest on Bonds Payable	<u>(261,270)</u>	<u>(282,227)</u>
Net Position (Deficit) of Governmental Activities	<u>\$ 2,457,709</u>	<u>\$ (554,143)</u>

The accompanying notes constitute an integral part of this statement.

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2014
(With Comparative Totals as of June 30, 2013)

	General Fund	Denham Springs Economic Development Corporation	Capital Projects Fund 2007 B
Revenues:			
Sales Taxes	\$ -	\$ -	\$ -
Interest	-	-	12
Administrative Fees	-	34,602	-
Rents	-	12	-
Total Revenues	-	34,614	12
Expenditures:			
General Government			
Tax Collection Fees	-	-	-
Accounting Fees	-	28,277	-
Insurance	-	641	-
Legal Fees	-	5,504	-
Engineering Consulting	-	70	8,698
Repairs and Maintenance	-	110	73,465
Debt Service:			
Principal	-	-	-
Interest / Fees	-	-	-
Total Expenditures	-	34,602	82,163
Excess (Deficiency) of Revenues over Expenditures	-	12	(82,151)
Other Financing Sources (Uses):			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	-	12	(82,151)
Fund Balances at Beginning of Year	-	87	169,954
Fund Balances at End of Year	\$ -	\$ 99	\$ 87,803

The accompanying notes constitute an integral part of this statement.

Exhibit B-3

Debt Service Fund	Total Governmental Funds	
	2014	2013
\$ 5,583,374	\$ 5,583,374	\$ 5,374,184
314	326	351
-	34,602	35,037
-	12	12
5,583,688	5,618,314	5,409,584
190,929	190,929	185,319
-	28,277	30,006
-	641	596
-	5,504	9,328
-	8,768	1,032
-	73,575	30
4,360,000	4,360,000	3,330,000
1,104,177	1,104,177	1,183,822
5,655,106	5,771,871	4,740,133
(71,418)	(153,557)	669,451
-	-	146,519
-	-	(146,519)
-	-	-
(71,418)	(153,557)	669,451
4,737,008	4,907,049	4,237,598
\$ 4,665,590	\$ 4,753,492	\$ 4,907,049

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014
(With Comparative Totals as of June 30, 2013)

	<u>2014</u>	<u>Restated 2013</u>
Net Change in Fund Balances - Total Governmental Funds	\$ (153,557)	\$ 669,451
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities, the Cost of Those Assets is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.		
Depreciation Expense	(1,086,637)	(1,086,637)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Bond Principal Repayments on Sales Tax Increment Revenue Bonds	4,360,000	3,330,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Amortization of Deferred Amount on Refunding	(128,911)	(99,957)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		
	<u>20,957</u>	<u>15,363</u>
Change in Net Position of Governmental Activities	<u>\$ 3,011,852</u>	<u>\$ 2,828,220</u>

The accompanying notes constitute an integral part of this statement.

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

Note 1 - Organization, Nature of Operations, and Summary of Significant Accounting Policies -

a. Organization and Nature of Operations

The Denham Springs Economic Development District ("the District") was created by an ordinance of the City Council of the City of Denham Springs on December 9, 2003, pursuant to the Louisiana Cooperative Economic Development Law. A board of five members is provided by law. The District encompasses approximately 75 acres within the City of Denham Springs.

The purpose of the District is to secure Sales Tax Increment Revenue bonds which were issued to provide funds for the construction of infrastructure improvements and acquiring, constructing and equipping the Bass Pro retail outlet and restaurant and ancillary items within the District.

Because of the required cooperation from each of the following governmental entities,

City of Denham Springs
Livingston Parish School Board
Livingston Parish Council
Livingston Parish Sheriff
Livingston Parish Gravity Drainage District #1
State of Louisiana

the District created the Denham Springs Economic Development Corporation on February 14, 2004. The Corporation's Board is composed of five members recommended by the City of Denham Springs, two members recommended by the Livingston Parish School Board, one member recommended by the Livingston Parish Council, and one member recommended by the Livingston Parish Sheriff for a total of nine members. The corporation is a private nonprofit corporation created pursuant to the Louisiana Nonprofit Corporation Law (Chapter 2 of Title 12 of the Louisiana Revised Statutes) and has been assigned the responsibilities to oversee, supervise and approve the construction of infrastructure improvements and acquiring, constructing, and equipping the Bass Pro retail outlet and restaurant and ancillary items. There was no financial activity within this corporation prior to March of 2007.

b. Reporting Entity

The City of Denham Springs is the financial reporting entity for the City of Denham Springs, Louisiana. The City of Denham Springs appoints the District's governing body and can impose its will on the District. Accordingly, the District has been determined to be a component unit of the City of Denham Springs.

The accompanying financial statements present information only on the activities and funds maintained by the District and do not present information on the City of Denham Springs, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity for the City of Denham Springs, Louisiana.

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

Blended Component Unit Blended component units, although legally separate entities, are, in substance, part of the government's operations. The Denham Springs Economic Development Corporation was created to serve only the Denham Springs Economic Development District and is governed by a board approved by the District. Management has determined that the Corporation is to be reported as a blended component unit as a special revenue governmental fund within these financial statements.

Discretely Presented Component Unit The District has no discretely presented component units.

c. Basis of Statement Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) of the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

This financial report has been prepared in conformity with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued in June 1999.

d. Fund Accounting

The District uses fund accounting to maintain its financial records and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions relating to certain governmental functions or activities.

A fund is defined as a separate accounting entity with a self-balancing set of accounts. Funds of the District are classified as governmental funds. Governmental funds account for the District's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of general long-term debt. The governmental funds presented in the financial statements are described as follows and are all considered major governmental funds:

Governmental Fund Types

General Fund

The General Fund is the general operating fund of the District and accounts for all financial resources, except those required to be accounted for in other funds. The General Fund had no activity for the year ended June 30, 2014.

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

Special Revenue Fund

The Denham Springs Economic Development Corporation is reported as a special revenue fund of the District and accounts for all financial activities of the corporation.

Capital Projects Funds

The capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund

The Debt Service Fund is used to account for accumulation of resources for the payment of general long-term debt principal, interest, and related costs.

e. Measurement Focus/Basis of Accounting

Basic Financial Statements - Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. These statements include all the financial activities of the District.

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The District does not allocate indirect expenses.

Basic Financial Statements - Governmental Funds

The accounting and financial reporting treatment applied to a fund are determined by its measurement focus. Governmental Funds are accounted for using a current financial resources

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of Governmental Funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The General Fund, the Denham Springs Economic Development Corporation, the 2007 Series B Bond Capital Projects Fund, and the Debt Service Fund are all considered major funds of the District.

The modified accrual basis of accounting is used by Governmental Funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter (generally 60 days) to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. The Governmental Funds use the following practices in recording revenues and expenditures:

Revenues

Sales tax revenues are recorded as revenues when the underlying transaction occurs and meets the availability criteria.

Interest income is composed of interest from interest-bearing demand deposits, and from invested funds. Interest earned on cash equivalents, and investments is recorded when the income is both measurable and available.

Intergovernmental revenues are recorded when the income is both measurable and available.

Grant revenues are recorded when the District or Corporation is entitled to reimbursement of expenditures under the terms of the grant or agreement.

Charges for services are recorded as revenue when the fees are collected because they are usually paid at the time the service is rendered.

Other revenues are recorded as revenue when the money is received because they are generally not measurable until actually received.

Expenditures

Principal and interest on general long-term obligations are recognized when due. All other expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

Other Financing Sources (Uses)

Other financing sources (uses) include the proceeds from the sale of Sales Tax Increment Revenue Bonds and the discount thereon, and transfers between funds that are not expected to be repaid. Proceeds from the sale of the bonds are recorded when received and transfers are recorded when the transfer is made.

f. Budgetary Policy and Accounting

The District is not required to adopt an annual operating budget as all income and expense are provided for by the bond indenture.

g. Cash and Cash Equivalents

Cash includes petty cash, demand deposits, and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of three months or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States. Cash and cash equivalents are presented at cost in the District's balance sheet.

h. Investments

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of time deposits exceed three months, they are classified as investments; however, if the original maturities are three months or less, they are classified as cash equivalents.

GASB Statement 31 requires the District to report its investments at fair value in the balance sheet except for investments in non-participating interest-earning contracts, such as non-negotiable certificates of deposit with redemption terms that do not consider market rates. This type of investment is reported using a cost-based measure, provided that the fair value of the contract is not significantly affected by the impairment of the credit standing of the issuer or other factors.

i. Receivables and Payables

All trade and receivables are shown net of an allowance for uncollectibles, if any.

j. Capital Assets and Depreciation

Capital assets include any land, buildings, major infrastructure improvements and equipment owned by the District. All capital assets are valued at historical cost, except for donated

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

assets, which are valued at estimated fair market value at the date of donation. At June 30, 2014, the District had no donated assets.

It is the District's policy to capitalize purchases of moveable property costing at least \$1,000 and purchases of real property and major infrastructure improvements costing at least \$5,000.

Depreciation is calculated using the straight line method of depreciation over the following estimated useful lives upon completion of construction:

<u>Assets</u>	<u>Years</u>
Buildings	40
Infrastructure Improvements	20

k. Deferred Outflows of Financial Resources

The statement of financial position reports a separate section for deferred outflows of financial resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

All of the District's deferred outflows of resources on the statement of net position are a result of deferrals concerning bonded debt. A deferred charge on refunding results from the difference in the varying value of refunded debt and its reacquisition price. Deferred amount on refunding of debt is reported in the deferred outflow sections of the statement of position.

l. Transfers and Interfund Loans

Transfers are advances between funds that are not expected to be repaid. In those cases where repayment is expected, the advances are accounted for through the various "due from" and "due to" accounts in the fund financial statements. The "due from" and "due to" accounts are eliminated in the government-wide financial statements.

m. Fund Balances

GASB Statement No. 54 redefined how fund balances are presented in fund financial statements. In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of the state or federal laws, or externally imposed conditions by grantors or creditors.

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

Committed - Amounts that can only be used for specific purposes determined by a formal action of the District. These amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

Assigned - Amounts that are designated as committed by the District but are not spendable until a budget ordinance is passed.

Unassigned - All amounts not included in other spendable classifications.

The details of the fund balances are included in the Balance Sheet - Governmental Funds Exhibit B-1. As noted above, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the District or the Assignment has been changed by the District. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned becomes zero, then Assigned and Committed Fund Balances are used in that order.

n. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

o. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

p. Cooperative Endeavor Agreement

A cooperative endeavor agreement dated December 15, 2006 was entered into by the Denham Springs Economic Development District (the "District"), Denham Springs Economic Development Corporation (the "Corporation"), City of Denham Springs, State of Louisiana (the "City"), Law Enforcement District of the Parish of Livingston, State of Louisiana (the "Law Enforcement District"), Livingston Parish School Board, both in its capacity as a Participating Tax Recipient Entity (the "School Board") and its capacity as the Tax Collector for Sales and Use Taxes in the District (the "Tax Collector"), Parish of

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

Livingston, State of Louisiana (the "Parish"), Special Sales Tax District No. 1 of the Parish of Livingston, State of Louisiana (the "School District"), Gravity Drainage District No. 1 of the Parish of Livingston, State of Louisiana (the "Gravity Drainage District") and The State of Louisiana (the "State"), acting by and through the Louisiana Department of Revenue (the "Department").

Pursuant to this Cooperative Endeavor Agreement, the Participating Tax Recipient Entities and the State have pledged and dedicated and will irrevocably pledge and dedicate an amount of Annual Pledged Local Increment and Annual Pledged State Increment to pay the annual principal of, premium, if any, and interest on the Bonds. The District used a portion of the proceeds of the Bonds to purchase the Bass Pro Site, which then has been leased by the District to the Corporation. The District shall deposit a portion of the proceeds of the Bonds to the Project Fund held by the Paying Agent/Trustee to pay Project Costs. The Corporation will contract for and monitor construction of the Project and sublease the Bass Pro Site and Facilities to Bass Pro Denham Springs Development Company, LLC. The Corporation will mortgage its leasehold interest in the Bass Pro Site and Facilities in favor of the Paying Agent/Trustee for the benefit of bondholders.

In consideration of the mutual covenants contained, the parties covenant and agree to pledge and dedicate pursuant to the agreement their agreed upon percentages of the sales tax collected within the District as follows:

<u>Entity</u>	<u>Sales and Use Tax Percent</u>	<u>Percent of Sales Tax Pledged to District</u>
City of Denham Springs	1.50%	71.42857%
Livingston Parish		
Law Enforcement District	.50%	71.42857%
Livingston Parish		
School Board - General Fund	1.00%	100.00000%
Livingston Parish		
School Board - 2nd Sales Tax	1.00%	0.00000%
Livingston Parish School Board -		
District #1	.50%	100.00000%
Livingston Parish Council	1.00%	71.42857%
Livingston Parish Gravity		
Drainage District #1	.50%	71.42857%
State of Louisiana	<u>4.00%</u>	50.00000%
	<u>10.00%</u>	

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

In addition, while each of the local entities pledge their sales tax revenues until the bonds are paid in full, the State of Louisiana pledged their participation for not more than 20 years from date of closing on the bonds and not to exceed \$1,500,000 per year. The bonds issued March 20, 2007 and May 27, 2008, each have a maturity schedule of 30 years or fiscal year ending June 30, 2037. The 2007 and 2008 bonds were refunded with the 2011 refunding bonds issued on December 22, 2011 which have the same maturity date as the refunded bonds or fiscal year ending June 30, 2037. No participating local tax recipient entity shall be required to pledge or pay more than the annual pledged local increment attributable to it during any year of the term of the agreement. The term of this agreement shall be effective upon execution by all parties hereto and shall terminate upon the earlier of (i) payment in full by the District of all principal, interest, premium, if any, and other requirements of the bonds or (ii) the final maturity date of the Bonds, which date shall not be extended beyond that final maturity date initially set forth in the Indenture without the prior written consent of all Participating Tax Recipient Entities.

q. Summary Financial Information for 2013

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Certain items in the 2013 columns have been reclassified to conform to the presentation in the current year financial statements. Such reclassification had no effect on the previous reported deficiency of revenues and other sources over expenditures and other uses or change in net position.

r. Current Year Adoption of New Standard

The District adopted the following recently issued Governmental Accounting Standards Board (GASB) Standard in the preparation of this Financial Statement:

GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities

The adoption of GASB 65 required changes to the financial statements of the District; including a restatement of Net Position to eliminate Deferred Bond Issuance Cost which no longer met the definition to be capitalized. See Note 8 below for disclosure of the effects of this restatement.

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

Note 2 - Cash, Cash Equivalents and Investments -

For reporting purposes, cash and cash equivalents include cash held in trust and a demand deposit account. Under state law the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the District may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

As confirmed by the fiscal agents, the District had cash totaling \$3,696,498 with a carrying amount of \$3,693,346. Cash and cash equivalents are stated at cost, which approximates market. These deposits must be secured under state law by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2014, none of the District's bank balance of \$3,696,498 was exposed to custodial credit risk.

Note 3 - Interfund Receivables and Payables -

The Corporation approves all expense and construction contract payments and the funds are transferred to the Corporation from the Construction Funds of the District. Therefore, the accounts payable of the Corporation for incomplete construction is to be reimbursed by the District's Capital Projects Funds. As a result, the manner in which cash is spent and received creates short-term interfund loans. There were no interfund receivables, payables or loans at year end.

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

Note 4 - Changes in Capital Assets –

A summary of changes in capital assets follows:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
<u>Governmental Activities:</u>				
Capital Assets not being Depreciated:				
Land	\$ <u>7,303,750</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,303,750</u>
Total Capital Assets not being Depreciated	7,303,750	-	-	7,303,750
Capital Assets Being Depreciated:				
Buildings	26,205,237	-	-	26,205,237
Roads	6,566,631	-	-	6,566,631
Utilities	<u>2,063,484</u>	<u>-</u>	<u>-</u>	<u>2,063,484</u>
Total Capital Assets being Depreciated	34,835,352	-	-	34,835,352
Less Accumulated Depreciation for:				
Buildings	3,521,329	655,131	-	4,176,460
Roads	1,650,941	328,332	-	1,979,273
Utilities	<u>554,561</u>	<u>103,174</u>	<u>-</u>	<u>657,735</u>
Total Accumulated Depreciation	<u>5,726,831</u>	<u>1,086,637</u>	<u>-</u>	<u>6,813,468</u>
Total Capital Assets being Depreciated, Net	<u>29,108,521</u>	<u>(1,086,637)</u>	<u>-</u>	<u>28,021,884</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 36,412,271</u>	<u>\$ (1,086,637)</u>	<u>\$ -</u>	<u>\$35,325,634</u>

Depreciation expense was charged to governmental activities as follows:

Economic Development	<u>\$ 1,086,637</u>
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DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

Note 5 - Changes in General Long-Term Debt -

The following is a summary of the changes in general long-term debt of the District for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Governmental Activities:					
2011A Series	\$ 29,410,000	\$ -	\$ (660,000)	\$28,750,000	\$ 695,000
2011B Series	<u>13,460,000</u>	<u>-</u>	<u>(3,700,000)</u>	<u>9,760,000</u>	<u>2,100,000</u>
Long-Term Liabilities	<u>\$ 42,870,000</u>	<u>\$ -</u>	<u>\$(4,360,000)</u>	<u>\$38,510,000</u>	<u>\$2,795,000</u>

The District issued the 2007A, 2007B and the 2007C Series bonds on March 1, 2007 with a maturity date of January 1, 2037. The 2008 Series bond was issued on May 27, 2008 with a maturity date of January 1, 2037.

These bonds were issued for the purchase of 24 acres within the 75 acre District and for the construction of the "Bass Pro Shops" project and infrastructure. The bonds will be paid from the dedicated portion of the sale tax revenues generated from the District. Additional collateral for these bonds is limited to the "Bass Pro Shop" development and the City of Denham Springs has no liability for these bonds.

On July 16, 2009, the 2007 Series B Bonds and the 2008 Series Bonds were converted from taxable variable rate sales tax increment revenue bonds to non-taxable variable rate sales tax increment revenue bonds. In addition, the 2007 Series C Bonds were converted from taxable fixed rate subordinate sales tax increment bonds to non-taxable fixed rate subordinate sales tax increment bonds. The conversion was done in an effort to reduce future interest payments.

On December 22, 2011, the District issued \$30,000,000 Series 2011A and issued \$16,200,000 Series 2011B Sales Tax Increment Refunding Bonds for the purpose of refunding the outstanding balance of the Series 2007 and 2008 bonds and to amend and restate the trust indenture including changes to the interest rate, letter of credit, and remarketing requirements. The 2011 Series bonds are scheduled to mature on January 1, 2037. This advance refunding was undertaken to decrease total debt service payments over the next 25 years by \$6,346,526 and resulted in an economic gain of \$6,560,010.

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

At June 30, 2014, long-term debt consists of the following Sales Tax Increment Revenue Bonds dated December 1, 2011 for the 2011A and the 2011B Series:

Series 2011A Sales Tax Increment
Revenue Refunding Bonds with Interest
Bank Rate of 3.09% through the Initial
Bank Rate Period; Convertible to Fixed
Rate or Weekly Rate on January 1, 2017
with Final Maturity January 1, 2037 \$ 28,750,000

Series 2011B Sales Tax Increment
Revenue Refunding Bonds with Interest
Bank Rate of the multiple of 70% of the
One Month LIBOR Rate plus 1.50% through
the Initial Bank Rate Period; Convertible to
Fixed Rate or Weekly Rate on January 1, 2017
with Final Maturity January 1, 2037 9,760,000
\$ 38,510,000

The annual requirements to amortize the bonds outstanding using estimated current interest rates of 3.09% for the Series 2011A, and 1.610% for the Series 2011B are shown in the following schedule.

Year Ending June 30,	2011 Series A		2011 Series B		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 695,000	\$ 883,006	\$ 2,100,000	\$ 136,219	\$ 2,795,000	\$ 1,019,225
2016	730,000	861,260	-	123,326	730,000	984,586
2017	765,000	838,433	-	123,326	765,000	961,759
2018	805,000	814,485	-	123,326	805,000	937,811
2019	845,000	789,302	-	123,326	845,000	912,628
2020-2024	4,890,000	3,523,295	-	616,630	4,890,000	4,139,925
2025-2029	6,245,000	2,677,910	-	616,630	6,245,000	3,294,540
2030-2034	7,970,000	1,598,380	-	616,630	7,970,000	2,215,010
2035-2037	5,805,000	319,931	7,660,000	339,568	13,465,000	659,499
Total	<u>\$ 28,750,000</u>	<u>\$ 12,306,002</u>	<u>\$ 9,760,000</u>	<u>\$ 2,818,981</u>	<u>\$ 38,510,000</u>	<u>\$ 15,124,983</u>

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

Note 6 - Lease and Sublease -

On March 20, 2007, the District entered into a ground lease with the Denham Springs Economic Development Corporation, the 24 acres along with all future improvements thereon described as the Bass Pro Project. The Corporation is obligated to sublease the land to Bass Pro Denham Springs Development Company, LLC or an affiliate thereof for the purpose of the development, design, construction and operation of an approximately 150,000 square feet Bass Pro Shops retail outlet and approximately 10,000 square feet restaurant and boat service building with related parking and infrastructure.

The term of the lease is for 30 years ending midnight March 20, 2037 with the option of Bass Pro to renew the sublease for up to six consecutive five year terms at which time lease amounts will be negotiated.

As consideration for the lease and sublease the Corporation will sublease the premises to Bass Pro for the design and construction of said facilities and agrees to pay the Corporation \$1.00 per month (payable annually in advance) and to pay or reimburse the Corporation for expenses and other costs identified as administrative and/or operating expenses incurred as a result of the lease not to exceed \$200,000 annually for the first two years of the term of this sublease and not to exceed \$100,000 annually thereafter.

Upon payment of all outstanding bond principal and interest and operations of the Bass Pro Shops on a continuous basis without interruption for a period of 20 years from the date of this lease, Bass Pro may exercise its option to purchase said facilities. The purchase price will be equal to the then fair market value of the leased premises subject to any applicable adjustments and/or Economic Benefit Credits as defined in the Cooperative Endeavor Agreement as accumulated over the years by Bass Pro. Fair value will be determined by an independent appraiser who is familiar with property similar to and in the same location as the leased premises. The Louisiana Department of Economic Development shall approve the application of all Economic Benefit Credits to be applied to the purchase price. Bass Pro will also receive benefit for any costs of the facilities funded by Bass Pro because the proceeds of the bonds were not sufficient for construction of the entire facility.

Note 7 - Compensation of Board Members -

All Board members of both the District and the Corporation serve without compensation.

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

Note 8 - Change in Accounting Principle -

The District adopted GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. Under GASB Statement 65, debt issuance costs, except any portion related to prepaid insurance costs, are recognized as expense in the period incurred. The District had incurred debt financing cost in prior years for the issuance of its bonds. These costs were previously capitalized as assets and amortized as expense over the duration of the related debt. GASB 65 adopted a definition of cost of issuance on debt by identifying which costs are subject to capitalization. The costs paid by the District for debt issuance no longer met the GASB definition. In order to conform to GASB 65, the District removed Deferred Bond Issuance Costs and reduced net position as if the costs were expensed in the period incurred which were for the year ended June 30, 2012 and prior years. The following items have been restated as follows:

	<u>June 30, 2012</u>
Net Position - Beginning of Year as Previously Reported	\$ (2,931,374)
Deferred Financing Cost Adjustment	<u>(450,989)</u>
Net Position - End of Year as Restated	<u>\$ (3,382,363)</u>

The following items on the June 30, 2013 financial statements were adjusted as a result of adopting GASB 65:

	<u>June 30, 2013</u>
Deferred Bond Issuance Cost at June 30, 2013	\$ 418,248
Add June 30, 2013 Amortization of Cost of Issuance	<u>32,741</u>
Cumulated Effect of Change in Accounting Principle	<u>\$ 450,989</u>

As a result of adopting the provisions of GASB 65 and removing the Deferred Bond Issuance Cost, the Change in Net Position for the year ended June 30, 2013 was restated from the amount originally reported of \$2,795,479 to the restated Change in Net Position \$2,828,220. The change occurred because of the removal of the amortization of the cost of issuance in the amount of \$32,741.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

2322 Tremont Drive • Baton Rouge, LA 70809
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726
Phone: 225.928.4770 • Fax: 225.926.0945
650 Poydras Street, Suite 1200 • New Orleans, LA 70130
Phone: 504.274.0200 • Fax: 504.274.0201
www.htbcpa.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

To the Board of Commissioners
Denham Springs Economic Development District
Denham Springs, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Denham Springs Economic Development District, Denham Springs, Louisiana, "the District" (a component unit of the City of Denham Springs), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Denham Springs Economic Development District
Denham Springs, Louisiana

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Harris T. Bourgeois, LLP

Denham Springs, Louisiana
December 18, 2014

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2014

CURRENT YEAR FINDINGS:

Internal Control Finding

None

Compliance Finding

None

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

JUNE 30, 2014

PRIOR YEAR FINDINGS:

None